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SUBJECT: OFFICIAL ORDER TO CLOSE IRAQ'S BORDERS TO  
IMPORTED POULTRY PRODUCTS

¶1. Summary: Post has received a copy of the official March 22, 2006 correspondence from the Cabinet of Ministers to all Ministries directing them "to prohibit entrance of chicken, table egg, and hatching egg to Iraq till further notice." Imports for the Multi-national Forces are excluded. The GOI says it took this step to protect the domestic poultry market and provide support for the development of the domestic poultry sector. Post is vigorously engaging the GOI to reverse its decision. End Summary.

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Official Letter Contents  
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¶2. The basic points of the official correspondence, signed by Secretary General Emad Dhia, are:

- To form a committee in the Ministry of Agriculture (MoA) to monitor egg and chicken prices in wholesale markets. This committee is to have membership from private sector egg and poultry producers and from the Iraqi Consumer Protection Society.
- To give instructions to Governors and governorate councils to facilitate the movement of poultry products not subject to the ban.
- To allow imports of one-day-old egg and meat products and mother hens for breeding and production purposes, but only after getting all required approvals from the MoA.
- To give loans to poultry flock owners, and to instruct the Agricultural Bank to cooperate with them.
- To subsidize feed items supplied by the MoA at a rate of 50 percent of purchase cost until further notice.

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Post Response  
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¶3. Since receiving word last month that this document was in circulation, Post has made numerous contacts with Iraqi officials in the Deputy Prime Minister's office, the Ministry of Agriculture, and Ministry of Finance (Customs) and requested that the GOI reverse its decision. We have stressed the inconsistency of this action with membership in the World Trade Organization (WTO), toward which the Government of Iraq is striving. Post also noted the inconsistencies of the actions taken with regard to the current high pathogenic Avian Influenza (HPAI) situation, citing FAO (Food and Agriculture Organization) and OIE (World Animal Health Organization) guidelines that stipulate that there is no science-based justification to halt the proper trade of poultry product from non-HPAI infected origins. (Note: The GOI had developed and

maintained a list of countries from which poultry products are banned due to the presence of HPAI, and the United States is not on that list. End note.)

¶4. Post also has pointed out the potential negative impact on consumer prices and local food supply of market distortions resulting from a poultry ban. Since frozen poultry stocks currently stalled in Kuwait warehouses have already been bought and paid for by Iraqi importers, the action is impacting most severely the Iraqi private sector at a time when those businesses should be encouraged to develop, a major element in the phaseout of the GOI's Public Distribution System (PDS).

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Comment  
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¶5. The exact impact of this measure is difficult to determine. The southern border with Kuwait already had been closed to all poultry products (ostensibly to protect people from avian influenza) by the Basrah provincial government well in advance of this decision. Point 2 of the memo (instructions to Governors and governorate councils) is apparently an effort by the central government to regain control of that border as well as to address the obstruction of internal movements of poultry products, domestic and imported, by local governments. It is also unclear whether the Kurdish Regional Government has implemented this measure, since companies handling U.S. products via Turkey report that the Ibrahim Khalil border complex continues tenuously to pass imported poultry products.

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¶6. Local traders also report rising consumer prices for all meat due to the short supply of poultry meat on the market. Comments indicate that this is causing distortions in the market, including the slaughter of breeding ewes as market prices have jumped. Such reactions to the current market situation will have longer-term negative economic implications for Iraqi agriculture.

KHALILZAD